

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 ACDA-19 CIAE-00 INR-10 IO-12 L-03

NSAE-00 NSC-10 RSC-01 SCI-06 GAC-01 SCEM-02 EB-11

COME-00 DODE-00 PM-09 H-02 PA-03 PRS-01 SS-15 USIA-12

INT-08 OMB-01 TRSE-00 RSR-01 /153 W
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R 131739 Z APR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0526

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USAEC GERMANTOWN

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 04447

E. O. 11652: GDS

TAGS: TECH, FR, GER

SUBJECT: BRITISH VIEWS ON RECENT DEVELOPMENTS IN URANIUM
ENRICHMENT SALES

REF: (A) PARIS 9124, (B) EC BRUSSELS 1921

1. SUMMARY: PROPOSED FRENCH SALE OF URANIUM ENRICHMENT
TO GERMANS IN (NOMINAL) COMPETITION WITH USAEC IS SEEN
IN BRITAIN AS NOT VERY EFFECTIVE GESTURE. SOVIET SALE
TO GERMANY VIEWED MORE SERIOUSLY, AGAINST BACKGROUND OF
PROPOSED USAEC CHANGES IN ENRICHMENT PRICES AND TERMS
WHICH CONTINUE TO ELICIT UNFAVORABLE REACTION AND CAUSED
URENCO TO PLAN INCREASED CAPACITY. END SUMMARY

1. BRITISH NUCLEAR FUELS SPOKESMAN AND OTHER LOCAL
NUCLEAR EXPERTS SEE FRENCH OFFER TO SUPPLY 3000 TONS
ENRICHED URANIUM TO GERMANY BY 1980 AS EFFORT TO STRENG-
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THEN FRENCH- SPONSORED EURODIF AND TO LESSEN EUROPEAN DEPENDENCE UPON US AT ANY COST. IF GERMANS FACED WITH SIMPLE CHOICE OF FRANCE OR US AS SUPPLIER, DECISION MIGHT BE POTENTIALLY EMBARRASSING FOR GERMANS, BUT TAKING INTO ACCOUNT THE BID BY URENCO (IN WHICH GERMANY IS PARTICIPANT) AND LOW CREDIBILITY OF UNPROVED SUPPLIERS PLUS SHORTAGE OF ENRICHMENT FACILITIES PROJECTED FOR 1980-81, FRENCH OFFER SEEMS ALMOST FRIVOLOUS EXCEPT FOR ITS PROPAGANDA EFFECT.

2. SOVIET SALE OF \$10.5 MILLION WORTH OF ENRICHMENT TO GERMAN RWE REPORTED IN APRIL 11 EDITION OF PARIS HERALD TRIBUNE APPEARS TO OFFER MORE SERIOUS POTENTIAL COMPETITION TO US SUPPLIERS, PARTICULARLY IF, AS REPORTED, PRICE IS LOWER THAN US AND IF SOVIETS HAVE EXCESS CAPACITY. THIS TOO, HOWEVER, IS UNTESTED SOURCE WITH UNKNOWN CAPABILITY. SOVIETS HAVE NOT OFFERED ENRICHMENT TO BRITAIN ACCORDING TO BNFL AND URENCO SOURCES.

3. BRITISH REACTION TO RECENT USAEC PROPOSED CHANGES IN PRICE AND TERMS FOR ENRICHMENT ELICITED SUCH EXPRESSIONS AS " SAVAGE" AND " JUST A FORETASTE OF WHAT IS TO COME", FROM FINANCIAL TIMES OF FEBRUARY 26 WHICH ATTRIBUTES NEW TERMS TO USAEC EXERTION OF MONOPOLY POWER PLUS NEED TO RAISE MONEY FOR EXPANSION OF US ENRICHMENT FACILITIES. REACTION OF NUCLEAR INDUSTRY SOURCES WAS MORE MODERATE, TYPIFIED BY APRIL EDITION OF NUCLEAR ENGINEERING INTERNATIONAL (NEI) WHICH NOTES THAT CANCELLATION CHARGES ARE " VICIOUS" BUT THAT " THE NEED TO OBTAIN LONG TERM COMMITMENTS IS VITALLY IMPORTANT TO ECONOMIC OPERATION AND OPTIMUM FORWARD PLANNING". ALTHOUGH THERE IS MUCH UNDERSTANDING FOR NEW AEC CHARGES BY KNOWLEDGEABLE BRITONS, THEY ARE NOT ABOVE EXPLOITING TO THE FULL THE SHARPLY CRITICAL POPULAR REACTION IN ORDER TO GAIN SUPPORT FOR BRITISH ENRICHMENT PLANS AS REPRESENTED BY URENCO.

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 04447

EVEN PROFESSIONALS, HOWEVER, ARE CRITICAL OF LACK OF FLEXIBILITY OF PROPOSED NEW AEC TERMS. THEY NOTE, FOR EXAMPLE, THAT DOWN PAYMENT EIGHT YEARS IN ADVANCE EXPOSES EUROPEAN UTILITIES TO MUCH HIGHER INTEREST CHARGES THAN THOSE PREVAILING IN US THUS ADDING CONSIDERABLY TO COSTS. AN EMBASSY CONTACT AT URENCO CONFIRMS AN NEI REPORT THAT URENCO HAS INCREASED ITS FUTURE CAPACITY TARGETS IN RESPONSE TO PROPOSED NEW AEC PRICES AND TERMS.

4. EVEN IF NEW AND MORE MODERATE AEC TERMS ARE PROPOSED IT SEEMS LIKELY THAT IN FUTURE, EUROPEANS WILL POINT TO CHANGES PROPOSED IN JANUARY AS EXAMPLE OF KIND OF THING US WILL DO IF GIVEN CHANCE, I. E., ONE MORE REASON WHY EUROPEANS MUST HAVE OWN CAPABILITY AS SOON AS THEY CAN ACHIEVE IT.

5. EMBASSY SUGGESTS THAT EVEN NOW IT WOULD BE USEFUL
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TO HEED ADVICE OF NUCLEAR ENGINEERING INTERNATIONAL THAT "... THE NATURE OF THE ENRICHMENT BUSINESS IN THE NEXT EIGHT TO TEN YEARS CALLS FOR THE FULLEST DISCUSSION BETWEEN CUSTOMERS AND SUPPLIERS IF WE ARE TO ENSURE ORDERLY DEVELOPMENT FOR BOTH".
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